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15TH ANNUAL DRI/McGRAW-HILL SURVEY OF INVESTMENT IN EMPLOYEE SAFETY AND HEALTH

Following last year's fall-off of more than 14%, U.S. corporate commitment to safety and health (S&H) capital investment is expected to rebound sharply in 1987. DRI/McGraw-Hill's latest capital spending survey finds that American corporations plan to earmark $6.9 billion of their total capital budgets for S&H improvements (Table I). This 18.6% annual increase will return businesses to the rapid investment advance logged in 1983-85 as well as set a new dollar-level record.

Even after adjustment for inflation, S&H investment still looks good. Survey respondents expect average plant and equipment prices to rise 3.3% in 1987; DRI estimates this inflation at less than 2.0%. Either

Chart 1
Safety and Health Spending
(Millions of dollars)

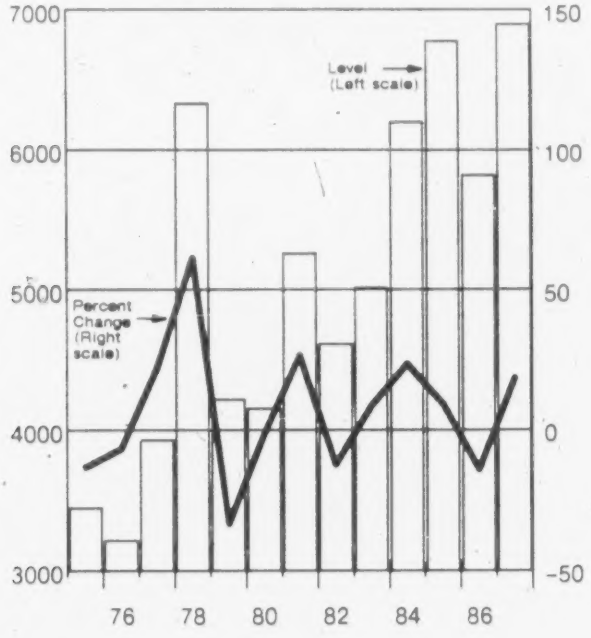
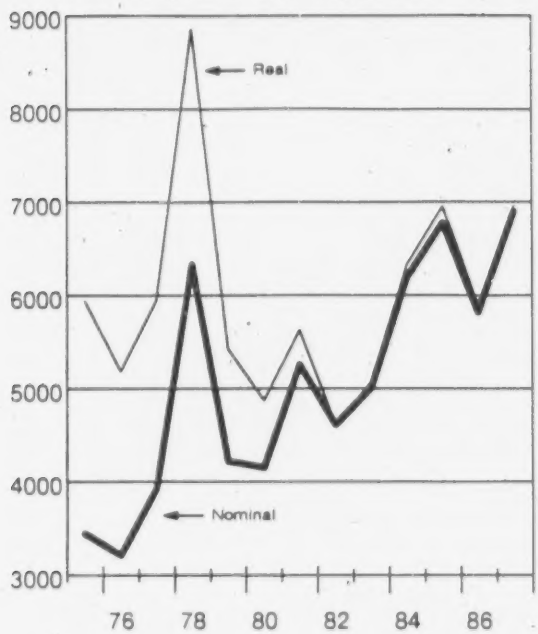


Chart 2
Safety and Health Spending



way, real safety and health spending should climb 15–17% if respondents stick to their capital budgets. In fact, S&H capital budgets are slated to rise more sharply than overall capital budgets in 1987; respondents noted an overall capital spending increase of 3.3% for the current year.

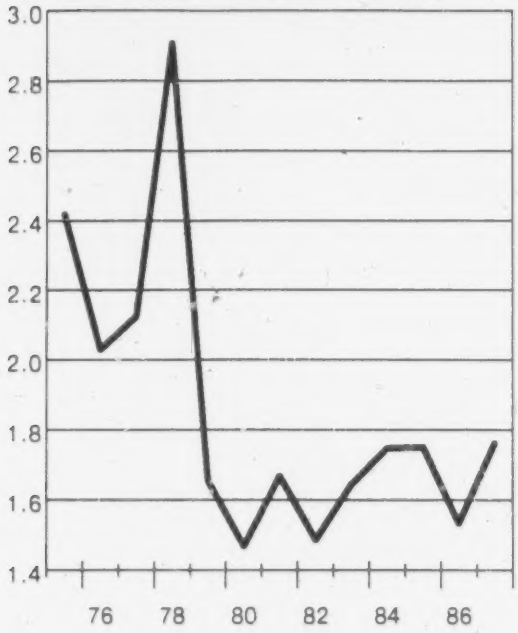
This renewed infusion of S&H expenditures pushes up its share of total capital spending from a weak 1.5% in 1986 to 1.8% in 1987 (Table II). With respondents planning another hike in safety and health budgets in 1988, the share of total capital spending should remain at 1.8%.

These are the key findings of the 15th Annual DRI/McGraw-Hill Survey of Investment in Employee Safety and Health. The survey was conducted in April and May and drew responses from 463 companies replying to a broader poll of capital spending plans. All dollar figures in this report have been adjusted to represent S&H spending by all U.S. companies and reflect domestic investment only.

NOT QUITE THE GOOD OLD DAYS

Although budget plans for 1987 more than recoup the last year's setback, spending on safety and health has generally waned in the 1980s, with S&H budgets garnering less and less of overall capital expenditures. As a percent of capital budgets, S&H spending averaged more than 2.5% from 1972 to

Chart 3
Safety and Health Spending
as a Percent of Capital Spending



1978 (Table IV) and peaked at 2.9% in 1978. In comparison, the 1.8% share attained for this year's comeback is less dramatic. In 1979-87, S&H spending managed an average share of less than 1.7%.

The picture is even less encouraging in terms of growth. This year's spending level is only a moderate improvement over the $6.3 billion peak achieved in 1978 (Table III). Consequently, the average annual growth rate between 1978 and 1987 was a meager 1.0%. On an upbeat note, however, survey respondents cited their intentions to raise safety and health budgets another 3.7% in 1988.

SPENDING BY SECTOR

While overall safety and health spending will increase sharply this year, wide disparities in commitment by individual industries mark the outlook. Long the largest player in the field, trade and services will continue to spend generously with a 31.6% jump from 1986 to a total of $1.16 billion. The chemical industry, however, is planning a strong a 38.4% increase. If realized, this gain would give chemicals the number-one slot, with a $1.19 billion safety and health budget for 1987.

In the past, the petroleum refining industry was frequently the second-highest spender on S&H capital equipment. Last year's oil price slide hit the industry hard, however, and budgets were slashed. Petroleum refiners plan a modest rebound of 1.5% in 1987.

Most U.S. industries generally plan some level of safety and health investment increase. This year, only six anticipate cuts: fabricated metals, -24.5%; rubber and plastic, -41.0%; railroads, -4.5%; other transportation, -38.2%; electric utilities, -1.8%; and gas utilities, -2.9%.

Manufacturers, who account for two-thirds of all S&H spending, reported an aggregate advance of 21.4% this year; nonmanufacturers responded with a vigorous 13.3% increase. All things considered, safety and health spending by corporate America is on the mend.

Table I
Plans for Investment in Employee Safety and Health
(Millions of dollars)

Industry	Level			Percent Change	
	1986	1987	1988	1987	1988
Iron & Steel	53.7	63.1	65.9	17.5	4.4
Nonferrous Metals	86.5	98.6	133.9	13.9	35.8
Electrical Machinery	244.0	305.9	271.8	25.4	-11.2
Non-Electrical Machinery	298.3	349.7	477.7	17.2	36.6
Autos, Trucks & Parts	24.4	70.5	56.2	188.5	-20.2
Aerospace	177.7	198.2	86.9	11.5	-56.1
Fabricated Metals	188.9	142.7	138.7	-24.5	-2.8
Instruments	57.2	101.5	121.5	77.2	19.7
Stone, Clay & Glass	68.2	81.3	81.6	19.1	0.4
Other Durables	219.4	400.1	495.4	82.3	23.8
TOTAL DURABLES	1,418.4	1,811.4	1,929.6	27.7	6.5
Chemicals	863.1	1,194.5	1,253.0	38.4	4.9
Paper & Pulp	122.9	132.0	116.5	7.5	-11.7
Rubber & Plastic	149.7	88.3	120.6	-41.0	36.6
Petroleum	567.8	576.1	624.5	1.5	8.4
Food & Beverage	390.1	479.9	507.4	23.0	5.7
Textiles	69.5	103.6	75.9	49.2	-26.8
Other Nondurables	187.8	191.1	204.3	1.8	6.9
TOTAL NONDURABLES	2,350.9	2,765.5	2,302.3	17.6	4.9
ALL MANUFACTURING	3,769.3	4,576.9	4,831.9	21.4	5.6
Mining	181.3	183.2	216.1	1.0	18.0
Railroads	319.7	305.4	364.7	-4.5	19.4
Airlines	62.6	83.2	72.5	32.8	-12.8
Other Transportation	59.0	36.4	3.6	-38.2	-90.0
Electric Utilities	214.9	211.0	193.7	-1.8	-8.2
Gas Utilities	38.0	36.9	34.4	-2.9	-6.7
Communications	289.7	301.7	308.8	4.2	2.4
Trade & Services	883.7	1,163.2	1,128.9	31.6	-3.0
ALL NONMANUFACTURING	2,048.8	2,321.0	2,322.9	13.3	0.1
ALL BUSINESS	5,818.2	6,898.0	7,154.7	18.6	3.7

Table II
Employee Safety and Health Investment as a Percent of Capital Spending

Industry	1986	1987	1988
Iron & Steel	1.6	1.6	1.5
Nonferrous Metals	4.5	4.6	4.7
Electrical Machinery	1.7	2.1	1.9
Non-Electrical Machinery	2.2	2.4	3.1
Autos, Trucks & Parts	0.2	0.6	0.4
Aerospace	4.7	4.9	2.3
Fabricated Metals	4.7	4.1	3.9
Instruments	2.3	3.8	4.6
Stone, Clay & Glass	2.2	2.6	2.5
Other Durables	2.5	4.2	4.8
TOTAL DURABLES	2.1	2.6	2.7
Chemicals	5.2	6.5	6.1
Paper & Pulp	1.4	1.4	1.2
Rubber & Plastic	3.8	3.0	3.6
Petroleum	3.1	3.3	3.4
Food & Beverage	3.7	4.0	4.1
Textiles	4.2	5.9	4.1
Other Nondurables	1.4	1.2	1.5
TOTAL NONDURABLES	3.2	3.6	3.6
ALL MANUFACTURING	2.6	3.1	3.2
Mining	1.6	1.6	1.8
Railroads	4.8	4.6	5.0
Airlines	1.0	1.0	1.0
Other Transportation	1.0	0.7	0.1
Electric Utilities	0.6	0.7	0.7
Gas Utilities	0.3	0.3	0.3
Communications	0.9	0.9	0.9
Trade & Services	0.7	0.9	0.8
ALL NONMANUFACTURING	0.9	1.0	1.0
ALL BUSINESS	1.5	1.8	1.8

Table III
Historical Safety and Health Capital Spending
(Millions of dollars)

Industry	1972	1973	1974	1975	1976	1977	1978	1979
Iron & Steel	132	86	69	59	28	35	44	58
Nonferrous Metals	30	51	81	113	45	23	23	40
Electrical Machinery	68	73	76	80	105	106	130	158
Non-Electrical Machinery	97	154	164	112	103	152	237	193
Autos, Trucks & Parts	144	169	369	80	40	198	158	350
Aerospace	23	32	53	42	45	40	46	81
Fabricated Metals	19	33	44	29	31	113	85	103
Instruments	15	34	92	107	29	30	48	56
Stone, Clay & Glass	33	74	81	99	63	101	98	36
Other Durables	64	78	96	130	77	114	262	284
TOTAL DURABLES	625	784	1,125	851	566	912	1,131	1,359
Chemicals	71	83	130	228	258	228	272	324
Paper & Pulp	52	62	49	64	63	42	84	63
Rubber & Plastic	14	34	135	68	33	44	40	54
Petroleum	62	166	190	227	110	213	421	137
Food & Beverage	92	101	102	118	216	172	222	138
Textiles	84	58	61	49	39	94	88	110
Other Nondurables	42	21	43	52	64	163	135	234
TOTAL NONDURABLES	417	525	710	806	783	956	1,262	1,060
ALL MANUFACTURING	1,042	1,309	1,835	1,657	1,349	1,868	2,393	2,419
Mining	101	102	220	171	137	324	146	128
Railroads	40	44	73	78	272	47	145	132
Airlines	43	32	23	23	51	17	255	62
Electric Utilities	190	136	219	169	154	209	470	261
Gas Utilities	24	32	47	30	47	87	27	20
Communication & Other	514	578	418	366	446	455	539	334
Trade & Services	1,030	342	1,132	950	759	922	2,355	864
ALL NONMANUFACTURING	1,942	1,766	2,132	1,787	1,866	2,061	3,937	1,801
ALL BUSINESS	2,984	3,077	3,968	3,443	3,214	3,928	6,329	4,220

Table III
(Continued)

Industry	1980	1981	1982	1983	1984	1985	1986
Iron & Steel	38	184	91	68	4	44	54
Nonferrous Metals	43	58	30	40	40	22	87
Electrical Machinery	166	148	187	320	219	375	244
Non-Electrical Machinery	377	96	94	648	724	227	298
Autos, Trucks & Parts	90	108	31	15	22	40	24
Aerospace	14	34	38	87	64	136	178
Fabricated Metals	40	123	52	59	52	240	189
Instruments	27	78	89	83	92	146	57
Stone, Clay & Glass	139	85	17	53	80	38	68
Other Durables	122	190	143	166	114	228	219
TOTAL DURABLES	1,056	1,104	772	1,539	1,411	1,494	1,418
Chemicals	419	655	418	492	490	634	863
Paper & Pulp	98	147	129	113	79	282	123
Rubber & Plastic	171	91	58	91	65	114	150
Petroleum	157	234	343	417	587	906	568
Food & Beverage	163	322	131	195	265	176	390
Textiles	121	111	61	96	21	66	69
Other Nondurables	135	107	391	624	53	163	188
TOTAL NONDURABLES	1,264	1,667	1,531	2,028	1,560	2,342	2,351
ALL MANUFACTURING	2,320	2,771	2,303	3,567	2,971	3,836	3,769
Mining	432	984	361	30	860	239	181
Railroads	149	119	53	63	136	668	320
Airlines	56	17	77	44	0	54	63
Electric Utilities	511	479	542	298	407	248	215
Gas Utilities	23	19	37	46	0	15	38
Communication & Other	361	452	155	604	100	358	349
Trade & Services	301	416	1,086	362	1,721	1,359	884
ALL NONMANUFACTURING	1,833	2,486	2,311	1,447	3,224	2,941	2,049
ALL BUSINESS	4,153	5,258	4,615	5,013	6,196	6,776	5,818

Table IV
Historical Safety and Health Capital Spending as a Percent of Capital Spending

Industry	1972	1973	1974	1975	1976	1977	1978	1979
Iron & Steel	12.3	6.9	3.5	1.9	0.9	1.2	1.7	1.8
Nonferrous Metals	3.1	4.2	4.6	6.6	3.2	1.8	1.6	2.4
Electrical Machinery	2.4	2.1	2.0	2.6	2.9	2.3	2.2	2.1
Non-Electrical Machinery	3.0	3.9	3.2	2.3	1.9	2.4	3.2	1.9
Autos, Trucks & Parts	4.8	4.4	8.6	2.4	1.1	3.4	2.2	4.2
Aerospace	3.4	4.0	4.4	3.5	4.4	3.5	2.6	3.0
Fabricated Metals	1.3	1.8	2.3	1.5	1.4	4.6	2.9	3.2
Instruments	3.1	5.3	11.2	13.5	3.7	3.2	4.4	3.9
Stone, Clay & Glass	2.5	4.7	4.9	5.9	3.3	4.4	3.1	0.9
Other Durables	2.0	1.9	2.3	3.5	1.7	2.3	4.4	4.5
TOTAL DURABLES	3.4	3.5	4.2	3.4	2.1	2.8	2.9	2.8
Chemicals	2.1	2.0	2.1	3.2	3.5	3.1	3.5	3.3
Paper & Pulp	3.6	3.1	1.7	2.2	2.1	1.2	2.2	1.2
Rubber & Plastic	1.4	2.2	8.4	5.7	2.4	2.5	1.7	2.2
Petroleum	1.3	3.6	2.7	2.5	1.1	1.8	3.2	0.9
Food & Beverage	2.3	2.7	3.4	2.7	4.0	3.0	3.4	1.9
Textiles	7.9	5.7	5.8	5.7	4.0	8.0	6.7	7.7
Other Nondurables	1.9	0.8	1.6	1.9	2.2	4.8	3.2	3.9
TOTAL NONDURABLES	2.4	2.7	2.8	2.8	2.5	2.8	3.2	2.2
ALL MANUFACTURING	2.9	3.1	3.5	3.1	2.3	2.8	3.0	2.5
Mining	3.5	3.1	4.8	2.8	1.8	3.3	1.3	1.0
Railroads	1.7	1.5	2.0	2.0	6.4	1.0	2.8	2.0
Airlines	2.2	1.7	1.3	1.5	4.5	0.8	8.2	1.5
Electric Utilities	1.4	0.9	1.3	1.0	0.8	0.9	1.8	0.9
Gas Utilities	0.9	1.1	1.5	0.9	1.3	1.9	0.5	0.3
Communication & Other	3.4	3.5	2.3	2.1	2.3	2.1	2.2	1.2
Trade & Services	3.5	2.4	2.9	2.4	1.7	1.8	3.7	1.2
ALL NONMANUFACTURING	2.9	2.3	2.4	2.0	1.9	1.8	2.8	1.1
ALL BUSINESS	2.9	2.6	2.8	2.4	2.0	2.1	2.9	1.7

Table IV
(Continued)

Industry	1980	1981	1982	1983	1984	1985	1986
Iron & Steel	1.1	5.3	2.4	2.1	0.1	1.1	1.6
Nonferrous Metals	2.0	2.3	1.6	2.3	1.9	1.2	4.5
Electrical Machinery	1.7	1.4	1.7	2.8	1.5	2.4	1.7
Non-Electrical Machinery	3.3	0.7	0.7	4.8	4.7	1.4	2.2
Autos, Trucks & Parts	1.0	1.1	0.4	0.2	0.2	0.3	0.2
Aerospace	0.4	1.0	1.1	3.0	1.8	3.9	4.7
Fabricated Metals	1.2	3.4	1.7	2.1	1.5	6.7	4.7
Instruments	1.6	3.9	4.2	4.6	4.0	5.6	2.3
Stone, Clay & Glass	3.5	2.5	0.6	1.9	2.6	1.1	2.2
Other Durables	1.7	2.6	2.4	3.0	1.6	2.8	2.5
TOTAL DURABLES	1.9	1.8	1.4	2.9	2.1	2.0	2.1
Chemicals	3.6	5.0	3.3	3.8	3.2	3.9	5.2
Paper & Pulp	1.5	2.4	2.3	1.9	1.1	3.3	1.4
Rubber & Plastic	8.4	4.2	2.7	3.7	2.1	3.0	3.8
Petroleum	0.8	0.9	1.3	1.8	2.3	3.4	3.1
Food & Beverage	2.0	3.4	1.5	2.5	3.0	1.7	3.7
Textiles	7.9	6.7	4.2	6.2	1.1	3.7	4.2
Other Nondurables	1.8	1.3	4.7	6.7	0.5	1.3	1.4
TOTAL NONDURABLES	2.2	2.5	2.3	3.2	2.1	2.9	3.2
ALL MANUFACTURING	2.1	2.2	1.9	3.1	2.1	2.5	2.6
Mining	2.7	4.6	1.8	0.2	5.1	1.5	1.6
Railroads	2.1	1.9	1.0	-1.3	2.0	9.4	4.8
Airlines	1.3	0.4	1.7	1.0	0.0	1.1	1.0
Electric Utilities	1.7	1.5	1.5	0.8	1.1	0.7	0.6
Gas Utilities	0.3	0.2	0.4	0.6	0.0	0.1	0.3
Communication & Other	1.2	1.4	0.5	2.1	0.3	0.9	0.9
Trade & Services	0.4	0.5	1.3	0.4	1.6	1.1	0.7
ALL NONMANUFACTURING	1.1	1.0	1.2	0.8	1.5	1.3	0.9
ALL BUSINESS	1.5	1.7	1.5	1.6	1.7	1.8	1.5